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Chairman: Mr. Abelian ..... (Armenia)
later: Mr. Armitage (Vice-Chairman) ..... (Australia)
later: Mr. Abelian (Chairman) ..... (Armenia)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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98-83587 (E)

The meeting was called to order at 10 a.m.

Agenda item 112: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Revolving Credit Fund (A/52/822; A/53/645)

1. **Mr. Connor** (Under-Secretary-General for Management), introducing the report of the Secretary-General on the Revolving Credit Fund (A/52/822), said that the report provided more detail on the proposal for the Fund put forward in the Secretary-General's programme for reform (A/51/950/Add.4). The proposal addressed the Organization's chronic cash problems: the total cash resources available for the regular budget had fallen into deficit in August and again in October; despite contributions received recently from the major contributor, those resources were expected to end the year in a deficit of approximately $50 million.

2. The United Nations had been able to continue its core operations only by borrowing from peacekeeping accounts. As a result, it had been unable to make timely payment to Member States which had contributed troops and equipment and it was expected that the Organization would end 1998 owing such contributors $864 million. That situation was financially imprudent and might become unsustainable as the reduced level of peacekeeping activity led to a reduction in peacekeeping cash balances. Cash resources for peacekeeping activities were expected to fall further by the end of the year to $775 million from $812 million at the end of 1997.

3. As the Secretary-General had often emphasized, the only real solution to the problem was for the Member States to pay their assessed contributions in full and on time. Until then, ways had to be found to deal with the periodic cash shortages. As the expedient of borrowing from peacekeeping accounts became less available, other means must be found. The proposal for the Revolving Credit Fund should be seen in the context of other measures proposed by the Secretary-General to tackle the periodic financial crises. The level of the Working Capital Fund had been increased to $100 million in 1982, and on several occasions the General Assembly had authorized the suspension of Financial Regulations 5.2 (d), 4.3 and 4.4 to permit the retention of specified surplus balances. However, subsequent proposals for further increases in the Working Capital Fund and for commercial borrowing and bond issues had been rejected. The High-level Open-ended Working Group on the Financial Situation of the United Nations had discussed a number of incentives and disincentives to improve the payment of assessed contributions, but no action had been taken to date.

4. He recognized that important questions had to be discussed in connection with the current proposal. Its success — in fact, the practical reality of the scheme — depended on the active cooperation of Member States, both potential donors and those against whose arrears cash advances would be made. The financial problems remained serious and some new measures were likely to be needed to sustain the Organization's operations. Such measures could include the Revolving Credit Fund in some form, or other measures, including those rejected in the past. He invited Member States to respond to the Secretary-General's challenge for new ideas to induce delinquent Member States to meet their moral and legal obligations under the Charter and pay their assessed contributions, and thereby restore the financial solvency of the Organization. He shared the Secretary-General's conviction that such action would provide the only long-term solution to the financial crisis.

5. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the Advisory Committee's report on the Revolving Credit Fund (A/53/645), said that it had not reviewed in detail the proposed operations and procedures of the Fund. As indicated in paragraph 8 of the report, it would not do so until the General Assembly had pronounced itself on the principles involved.

6. **Mr. Atiyanto** (Indonesia), speaking on behalf of the Group of 77 and China, said that the issue of the Revolving Credit Fund was particularly important. He wished to recall the common position of the Group of 77 and China, as reflected in the letter addressed by the Chairman of the Group to the Secretary-General on 5 March 1998. In that letter, the group had stressed, first, that the Charter provided that the expenses of the Organization should be borne by the Members as apportioned by the General Assembly; the Secretary-General had acknowledged that the only way to finance the Organization was through assessed contributions, and it was imperative for all Member States to pay their contributions in full, on time and without conditions. Second, the Group had emphasized that the proposed Fund could not be a substitute for the financial obligations set out in the Charter or resolve the Organization's financial difficulties, which were due to the non-payment of assessed contributions, in particular by the major contributor.

7. **Mr. Sial** (Pakistan) said that his delegation endorsed the statement just made by the representative of Indonesia. It supported the initiative for reform of the United Nations and noted with concern the Organization's the precarious

financial situation, which had led to many extraordinary practices. The Secretary-General's proposal for the Revolving Credit Fund deserved serious consideration. His delegation was grateful to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for drawing attention to the political dimensions of the problem; it would address those issues in the Fifth Committee, which should take a position on the principle involved in the proposal. However, the Committee's deliberations would be facilitated by comments from ACABQ on the proposed operations and procedures.

8. **Ms. Chen Yue** (China) said that her delegation also endorsed the statement made by the representative of Indonesia and, indeed, the comments made by the Advisory Committee in paragraphs 5 to 7 of its report. The financial crisis was a crisis of payment: some Members, in particular the major contributor, lacked the political will to pay their assessed contributions on time. The issue was therefore a political and not a financial one, and it would not be resolved by technical means, as the Advisory Committee had pointed out. Her delegation appreciated the Secretary-General's efforts to resolve the crisis, but the proposed Fund should not be viewed merely from the technical standpoint or as a means of solving the problem of arrears or ensuring that Member States met their financial obligations. It might, in fact, produce a situation in which States which had fulfilled their obligations would have to shoulder an additional burden. She agreed with the representative of Pakistan that the Committee should await the comments of ACABQ before taking any action on the matter.

9. **Mr. Odaga-Jalomayo** (Uganda) said that his delegation noted the Secretary-General's efforts to resolve the financial crisis; the General Assembly was always willing to assist him in that endeavour. As the representative of Indonesia had pointed out, the problem would not be solved by the creation of new funds but by compliance by Member States with their obligations under the Charter. The Secretary-General should concentrate on that issue rather than on the creation of new funds. He endorsed the comments made by the Advisory Committee in paragraphs 5 to 7 of its report.

10. **Ms. Buergo Rodríguez** (Cuba) said her delegation agreed that the problem would not be solved by the creation of a new fund because it was due to the failure by the major contributor to pay its assessed contributions. Her delegation, too, endorsed the comments made in paragraphs 5 to 7 of the report of ACABQ, especially the point that the Fund might put an additional burden on Member States which already fully met their financial obligations. It also endorsed the statement made by the representative of Indonesia and agreed with the representative of Pakistan that it would be useful to have comments from the Advisory Committee.

11. **Mr. Odaga-Jalomayo** (Uganda) proposed that the Committee should defer further consideration of the matter until the fifty-fourth session of the General Assembly.

12. **Mr. Armitage** (Australia) said it was his understanding that the General Assembly had originally requested the Committee to report back on the issue at the fifty-second session. He was not sure that the Ugandan proposal took the Committee very far; perhaps it could merely take note of the reports of the Secretary-General and ACABQ.

13. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said he could inform the Committee frankly that ACABQ did not want to comment on the very detailed proposals for the Revolving Credit Fund until the General Assembly had decided in principle whether to establish the Fund. It would then be easier for the Advisory Committee to discuss the proposed rules, regulations and procedures. If the Fifth Committee decided to defer further consideration of the question, its purpose would presumably be to give delegations time for an informal exchange of views.

14. **The Chairman** said that it might be possible to merge the Ugandan and Australian proposals: the Committee could decide to take note of the two reports and to resume its consideration of the matter at the fifty-fourth session.

15. **Mr. Darwish** (Egypt) and **Mr. Daka** (Zambia) endorsed the Chairman's suggestion.

16. **Mr. Sial** (Pakistan) proposed that the Committee should defer its procedural decision until the 33rd meeting. Comments by ACABQ would be welcome even if the Committee decided to defer further consideration of the question.

17. **The Chairman** suggested that the Committee should adopt the proposal of the representative of Pakistan, on the understanding that in the meantime interested delegations would hold informal discussions on the question.

18. *It was so decided.*

Results-based budgeting (A/53/500 and Add.1 and A/53/655)

19. **Mr. Halbwachs** (Controller), introducing the report of the Secretary-General on results-based budgeting (A/53/500 and Add.1), said that, in 1997, in connection with the programme for reform, the Secretary-General had suggested that he should enter into a dialogue with Member States on the question of shifting the United Nations budget

from a system of input budgeting to one of results-based accountability. The basic concepts of the proposal had been explained in the Secretary-General's report on the programme for reform (A/51/950/Add.6). The aim was to enhance both the General Assembly's ability to provide direction to the Secretariat and the Secretariat's accountability to Member States. The current report of the Secretary-General contained the further details called for by the General Assembly; the requested mock-up, of two subprogrammes, could be found in addendum 1.

20. The proposed change was more evolutionary than revolutionary and was part of the Secretariat's continuing effort to improve its work by creating better links between resources and results and facilitating analysis of programme implementation for use in decision-making by the Member States themselves and by the programme managers. The Secretary-General was not at present requesting the introduction of results-based budgeting but rather permission, when submitting his budget proposals for the biennium 2000–2001 in the traditional format, to present at the same time three sections in the format of results-based budgeting. The Advisory Committee, the Committee for Programme and Coordination (CPC) and the Fifth Committee would then be able to provide further advice to the Secretariat.

21. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of ACABQ (A/53/655), said the Advisory Committee agreed that the budget proposals for the biennium 2000–2001 should be presented in the current format. The Fifth Committee and the Advisory Committee could then discuss the proposals on results-based budgeting at the fifty-fourth session. The Advisory Committee had requested the Secretary-General to submit further prototype fascicles in the results-based format, including some for more complex budget areas such as political affairs, international cooperation for development, regional commissions, and common support services.

22. **Mr. Armitage** (Australia), speaking also on behalf of the delegations of Canada and New Zealand, said that the significance of the Secretary-General's recommendation to shift to a system of results-based budgeting extended well beyond the budgetary process. It was a tool that would enable the Secretariat to deliver more effective and focused programmes which would in turn deliver greater value for the resources provided by Member States.

23. In his report on results-based budgeting (A/53/500 and Add.1), the Secretary-General had clearly set out the weaknesses of the current budgetary process. The links between resources and results were indeed weak and Member States were provided with minimal information on how their money was spent and whether programme objectives had been achieved. The qualitative information provided in the current programme performance reports was not a meaningful measure of the success of a programme unless it was accompanied by qualitative measures. The Organization should also take more seriously its obligation to evaluate programmes. In that connection, the Committee's focus during the budget negotiations on the details of the staffing tables for each department and each category of expenditure did not constitute effective control of resources. Indeed, the unseemly horse-trading in individual posts which in recent years had become a feature of the negotiations on the regular budget did little to enhance the Secretariat's accountability to Member States.

24. Those deficiencies could not be rectified overnight, however, and the Secretary-General's careful evolutionary approach to the development of a system of results-based budgeting was therefore both practical and prudent. Necessary changes could be made within the existing framework of programme budgeting and there was no need at the current stage for major legislative changes in order to implement the Secretary-General's proposal.

25. The Governments on whose behalf he spoke had experience in implementing similar approaches to budgeting; they therefore knew that there was no single model for results-based budgeting, which needed to be developed according to the particular set of circumstances that prevailed. The identification of action-oriented programme objectives and the measurement of programme performance did not derive from a perfect science and needed to be constantly refined and modified.

26. While the United Nations should begin its learning experience with results-based budgeting sooner rather than later, as some of the specialized agencies had already done, the process should not be rushed, given the new concepts that were involved. There was therefore merit in the recommendation of ACABQ that the Secretariat should develop a range of prototypes to be considered in the context of the proposed programme budget for the biennium 2000–2001.

27. **Mr. Schlesinger** (Austria), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Lithuania, Poland and Romania, and, in addition, Norway, said that the shift in the Organization's budget from input accounting to accountability for results would enhance the General Assembly's ability to provide meaningful strategic direction

to the Secretariat and to check the extent to which the Secretariat had implemented mandated activities.

28. The current budgetary process did not provide for a satisfactory link between resources allocated and results to be achieved. In addition, since the budget document was traditionally presented in terms of activities and outputs, it was difficult for Member States to assess accurately the quality of the implementation of their mandates and decisions. Moreover, programme performance reports might well indicate that all programmed outputs had been delivered, even though objectives had not been met and the desired results had not been achieved.

29. The introduction of results-based budgeting should enhance the oversight role of the General Assembly and permit the legislative process to focus on the policy implications of resource allocations. The Secretary-General's increased authority for managing financial and human resources would be offset by commensurate accountability for the results to be achieved. In that regard, the new format of the performance report would be a critical decision-making tool which would enable Member States to evaluate the resources utilized and the results achieved.

30. Nothing in the Financial Regulations and Rules nor in the Regulations and Rules Governing Programme Planning precluded the introduction of results-based budgeting. The delegations on whose behalf he spoke therefore concurred with the Secretary-General's view that such an introduction should be an evolutionary development aimed at improving the Organization's management culture and thereby its effectiveness in meeting the objectives of Member States. They also supported his proposal to begin shifting from input budgeting to results-based budgeting, as well as his recommendation that, in addition to the full programme budget for the biennium 2000–2001 in the current format, he should present fascicles for budget sections utilizing the proposed format of results-based budgeting as a prototype.

31. **Mr. Atiyanto** (Indonesia), speaking on behalf of the Group of 77 and China, said that the Secretary-General's proposal would lead to a radical departure from current programme planning and budgetary practices and procedures, which had been repeatedly reaffirmed by the General Assembly. ACABQ should therefore undertake a comprehensive review of the more detailed report which the Secretary-General had been requested to submit. No action should be taken by the Secretariat to implement results-based budgeting until the General Assembly had decided on the appropriate action to be taken on the matter.

32. **Mr. Herrera** (Mexico) said that, while his delegation did not object in principle to the introduction of results-based budgeting, it needed to be reassured that the new system would be tailored to the specific needs of the Organization and not based wholly on an imported model. Since the announcement of the Secretary-General's reform proposals, little had been done to address the concerns in that area which had been expressed by his delegation. He therefore agreed with ACABQ on the need for additional information on the prototype of the new budget format.

33. Since the founding of the United Nations, Mexico had worked hard to fulfil the Charter's declared purpose of saving succeeding generations from the scourge of war. Legitimate concerns had now been raised, however, that, by reducing the level of resources available for pursuing the Organization's goals in such areas as disarmament, the lack of flexibility of the new system of results-based budgeting would also impair the Organization's ability to attain its lofty ideals and purposes.

34. **Ms. Shearouse** (United States of America) said that the United States had from the start been a major supporter and advocate of results-based budgeting in the United Nations, since it fully recognized the potential benefits of the system. At the same time, it had always believed that such an approach was not only permitted but required under existing planning and budgeting rules and the Secretariat should therefore move to implement those rules fully and to instil a more achievement-oriented outlook in the work of the United Nations.

35. The Organization's approach to planning had long been too heavily focused on inputs and resources and must now shift towards greater emphasis on the outcomes achieved through the expenditure of those resources. Moreover, the Secretary-General's proposal to introduce results-based budgeting was fully consistent with the initiatives which many Member States, including the United States, had taken in their drive to make Governments more accountable, productive and responsive to their citizens.

36. Her delegation was therefore disappointed by the indications in the most recent reports of the Secretary-General of slowed progress in the implementation of results-based budgeting. While it understood the difficulties in completing the necessary preparatory work prior to implementation, it had hoped that the budget proposals for the biennium 2000–2001 would be presented in a results-based format.

37. **Mr. Odaga-Jalomayo** (Uganda) said that, while his delegation supported the concept of results-based budgeting, it also agreed with the representative of Australia that the implementation of the new system should not be rushed. It should be borne in mind, moreover, that results-based

budgeting would be meaningful only if the resources for its implementation were available. He would welcome an explanation of why section 6, Legal affairs, of the programme budget for the biennium 1998–1999, which was a relatively small and uncomplicated section, had been chosen as the prototype for the new format. His delegation supported the Advisory Committee's recommendation that the Secretary-General should present the full proposed programme budget for the biennium 2000–2001 in the current format, but that he should expand his submission of prototype fascicles, utilizing a results-based budgeting format, to more complex budget areas such as political affairs, international cooperation for development, a regional commission and common support services.

38. **Mr. Sial** (Pakistan) said that, before a final decision was taken on the Secretary-General's results-based budgeting proposal, a comprehensive study was needed in order to identify the strengths and weaknesses of the current budgeting format and the differences and similarities between the existing and proposed systems so as to permit members to make an informed decision.

39. **Mr. Moktefi** (Algeria) agreed with that suggestion. Consideration should also be given to the response by the Organization's bureaucracy to the introduction of results-based budgeting. Lastly, it would be interesting to know what criteria the Secretariat proposed to employ in its evaluation of programme performance if the mandates in question were political in nature.

Report of the Joint Inspection Unit entitled "More coherence for enhanced oversight in the United Nations system" (A/53/171 and A/53/670)

40. **The Chairman** drew the Committee's attention to article 11.2 (e) of the Statute of the Joint Inspection Unit, which provided that, where a report concerned more than one organization, the report, together with the joint comments of the Administrative Committee on Coordination (ACC) and the respective Executive Heads and any comments of the respective Executive Heads on matters that concerned their particular organizations, should be ready for submission to the competent organs of the organizations not later than six months after receipt of the Unit's report for consideration at the following meeting of the competent organ concerned. Should, in exceptional cases, more than six months be required for consultations, with the result that comments would not be ready for submission to competent organs at the next meeting following the six-month period, an interim submission should be made to the competent organs concerned explaining the reasons for the delay and setting a firm date for the submission of the definitive comments. He recalled, however, that the Committee had decided to consider the report of the Joint Inspection Unit (JIU) (A/53/171) together with the comments and observations of ACABQ (A/53/670) and to revert to the consideration of the report after it had received the comments and observations of ACC.

41. **Mr. Fox** (Joint Inspection Unit), introducing the report of JIU (A/53/171), noted that there had been increasing recognition of the fact that effective oversight was a shared responsibility and that improved oversight mechanisms alone were not a panacea for making things right in the United Nations system. Oversight, however, had little impact unless recommendations were approved and implemented. The report therefore contained recommendations that gave meaning to the concept of shared responsibility.

42. In order for Member States to play their leading role in the establishment of oversight benchmarks, the oversight process must be open and transparent. In particular, Member States needed to know which recommendations were within the mandate of the Executive Head of an agency and which others required action by the appropriate legislative organ. Addressing the issue of oversight from a system-wide perspective and making comparisons among organizations would help to develop a common understanding of oversight throughout the system.

43. The report, however, did not advocate using the same oversight structure in all organizations of the system and its recommendations had been crafted to avoid infringing on the separate and individual characteristics, practices and traditions of the different organizations, which were highly valued by Member States. In sum, the recommendations sought to establish a commonality in implementing oversight throughout the system, without imposing uniformity.

44. Given their different functions, there was a critical need to maintain the distinction between internal and external oversight. Internal oversight must never be allowed to detract from the full accountability of Executive Heads for the management and administration of their organizations, since oversight could not make up for poor management. The report therefore recommended that the Executive Head and appropriate legislative organ of each organization should reach an explicit agreement on how internal oversight should be handled — or not handled — in the organization. The recommendation did not call for organizations to adopt the Office of Internal Oversight Services (OIOS) model or any other specific model. What was important was full transparency about the issue so that Member States could have the capacity to make a well-informed decision.

45. On the subject of reporting procedures, the report recommended that Executive Heads should submit a consolidated annual summary report on internal oversight activities which would provide an overview of the issues addressed and accomplishments achieved; a record of the recommendations made and the status of the action taken on them; and issues or recommendations that required action by Executive Heads or legislative organs. Moreover, any internal oversight report should clearly indicate which recommendations the Executive Head believed were for information purposes only and which required action by an appropriate legislative organ.

46. With a view to highlighting good practices, it was recommended that both internal and external oversight mechanisms should include in their reports a description of the significant good practices identified in the course of their work, in accordance with the changing role of oversight as it moved beyond assuring compliance with existing rules and its policing functions of seeking out fraud towards a more proactive role in facilitating management improvements and fostering a more vigorous culture of accountability. The highlighting of good practices would encourage more system-wide sharing, cooperation and use of lessons learned and would also help to draw attention to significant successes in United Nations system activities, thereby helping to overcome the tendency of some media to use oversight reports as a basis for criticizing United Nations organizations. Nevertheless, oversight reports should normally point to matters that needed correction; there was no intention in the recommendation to have oversight mechanisms pull their punches and gloss over problems.

47. The report also recommended that JIU should periodically include in its programme of work an overall analysis of the consolidated annual summary reports on internal oversight activities of the different organizations. Such an analysis would put the reports in a system-wide context and assist Member States in making comparisons between oversight reports of the different organizations.

48. Recommendations had also been made to encourage the oversight mechanisms of the United Nations system to promote networking, information sharing, professional development and more dialogue among oversight partners.He hoped that the report would help to rebuild the trust and confidence between Member States and the secretariats of United Nations organizations that were so critical to the success of the current reforms.

49. *Mr. Armitage (Australia), Vice-Chairman, took the Chair.*

50. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the Advisory Committee's report (A/53/670) on the report of the Joint Inspection Unit (A/53/171), said that the Advisory Committee had held an exchange of views with the Inspectors during its consideration of the JIU report. He commended the Inspectors on their well-prepared and user-friendly report, which contained a clear analysis of internal and external oversight functions. As noted in paragraph 7 of the Advisory Committee's report, the Inspectors had identified the functions of audit, evaluation, inspection, monitoring and investigation as the five elements of internal oversight. On the basis of the JIU report and the exchange of views, the Advisory Committee felt that care should be taken to avoid excessive use of the term "oversight" in connection with bodies that did not necessarily carry out the above oversight functions, such as the Advisory Committee and the Committee for Programme and Coordination, since that tended to obscure the distinct roles and functions of those bodies. In general, the Advisory Committee supported the recommendations put forward in the JIU report, though that support should be understood in the light of the comments made in the Advisory Committee's report.

51. **Mr. Schlesinger** (Austria), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, and, in addition, Iceland and Norway, said that the JIU report made a useful contribution to the debate on the respective roles of internal and external oversight bodies and on their cooperation and coordination. Both types of oversight were important for the current reform process, but each had a distinct role to play. He agreed with JIU that internal oversight was a crucial means of enabling Executive Heads to fulfil their management responsibilities. In that context, the options mentioned in recommendation 2 (b) should be seen not as alternatives, but as two sides of the same coin. Internal oversight reports should be transmitted in accordance with recommendation 2 (b) (ii), but Executive Heads must also take responsibility for those reports, as mentioned in recommendation 2 (b) (i), because internal oversight bodies operated under their authority. Moreover, Executive Heads should identify which of those bodies' recommendations required action by the competent legislative organ and should submit proposals accordingly. In that connection, the timely submission of comments from the Administrative Committee on Coordination (ACC) would have been useful.

52. He welcomed the measures taken to address the lack of coherence among the internal oversight mechanisms of the funds and programmes, as well as the definition of the

respective roles of the various internal and external oversight bodies and the efforts of JIU, the Board of Auditors and OIOS to enhance their coordination and cooperation. He recognized that the conclusions and recommendations contained in the JIU report did not seek to introduce fundamental changes in the existing system, and shared the underlying assumption that no single approach applied equally to all the organizations of the United Nations system. Each organization should define its own problems and needs while having due regard to existing synergies and opportunities for cooperation, without prejudice to the Secretary-General's role under the Charter.

53. As a means of countering the often unnecessarily defensive reaction to oversight, emphasis should be placed on the importance of oversight for improving the Organization's efficiency and effectiveness. The JIU recommendation on highlighting good practices identified by oversight bodies would be useful for confidence-building. Lastly, as demonstrated by OIOS, the monitoring of the implementation of oversight recommendations was a critical function that should be emphasized in all oversight bodies.

54. **Mr. Sial** (Pakistan) said that he, too, welcomed the user-friendly format of the JIU report. However, from a procedural viewpoint, the Committee was legally required to consider the report together with the comments of ACC. Since the Committee was under a great deal of time pressure, since the deadline for the six-month requirement would expire on 9 January 1999, he wondered why another meeting to consider the JIU report had been scheduled for the following working day when the report had not been submitted in accordance with that legal requirement. According to document A/C.5/53/L.1/Rev.2, the JIU report should be considered together with the cluster of reports listed under the heading "Strengthening of external oversight mechanisms", so that the Committee could conduct a comprehensive review of the Organization's oversight functions.

55. **Ms. Silot Bravo** (Cuba) said that, in general, her delegation welcomed the JIU report, which helped to meet the need for greater transparency in the work of the internal and external oversight bodies throughout the United Nations system. The report should not prejudice the Fifth Committee's negotiations on oversight issues. She regretted that the comments of ACC had not yet been submitted, since they would facilitate the Fifth Committee's deliberations. She noted that, according to the Secretary-General, the fundamental suggestions and recommendations of the report were already being implemented or were closely related to the reform strategy, and reaffirmed the General Assembly's role as the supreme legislative organ for evaluating and acting upon those recommendations. She agreed with the Advisory Committee that the implementation of the JIU recommendations would depend on the action taken by the legislative organs of each of the participating organizations.

56. Her delegation shared the concern expressed by JIU about over-reliance on oversight mechanisms as a remedy for underperformance and about the blurring of the roles of internal and external oversight. It welcomed the report's conclusion regarding shared responsibility, and stressed the leading role of Member States in the area of oversight. It agreed that neither a single oversight mechanism for the whole United Nations system nor an identical oversight model for all organizations would be practical. Coordination among oversight mechanisms should not be imposed, but should respect the independence and specific features of each mechanism and the oversight arrangements in place in each organization.

57. Her delegation welcomed the Advisory Committee's observation, in paragraph 9 of its report (A/53/670), concerning recommendation 1 in the JIU report. It noted the recognition in the JIU report, under recommendation 2, that some recommendations concerning internal oversight would require action by the competent legislative organs. That position had been repeatedly endorsed by her delegation since the adoption of General Assembly resolution 48/218 B. Accordingly, her delegation shared the Advisory Committee's view that each legislative body concerned should determine the reporting procedure for oversight bodies. In addition, Executive Heads should submit their views on the reports of internal oversight bodies to the competent legislative organs for consideration and action.

58. In connection with recommendation 4, JIU should resume the practice of submitting analyses of the internal oversight activities of different organizations, pursuant to General Assembly resolution 48/218 B and other relevant resolutions, but should take care to avoid duplications that could exacerbate the "oversight indigestion" experienced by Member States, as noted by the Advisory Committee (A/53/670, para. 12). Lastly, she supported recommendations 5 and 6, particularly with regard to the need for more dialogue among the oversight bodies, Member States and secretariats.

59. **Mr. Repasch** (United States of America) welcomed the informative and highly readable report of JIU, particularly the table summarizing internal oversight structures, the annex describing oversight mechanisms and the descriptions of oversight concepts. He endorsed the distinction between internal and external oversight, in

particular the conclusion contained in paragraph 29 of the report.

60. He agreed with the report's central idea that oversight could be improved throughout the United Nations system, but did not understand, or disagreed with, a number of findings. For example, he wondered on what basis JIU had concluded that Member States suffered from "oversight indigestion". His delegation suffered not from reports that identified problems and ways to address them, but from allegations and newspaper accounts of waste and fraud in the Organization. Moreover, while coordination among oversight bodies was not undesirable, it should not become an end in itself, but should be pursued for clear purposes, such as the sharing of information about specific activities or the identification of training opportunities. The oversight function of evaluation had not yet been fully developed in the United Nations; he would have liked to see a fuller discussion of that function in the report.

61. He supported recommendation 1 in the report, which would facilitate broad-based agreement on an oversight framework. With respect to recommendation 2, the approach to internal oversight mandated for OIOS by General Assembly resolution 48/218 B had worked well. He could not understand the problem concerning the recommendations of internal oversight bodies, since those bodies reported to the Executive Heads and addressed their recommendations to the latter, not to legislative organs. Executive Heads were responsible for requesting action by legislative organs with respect to recommendations that had legislative implications. There was therefore no need to distinguish between different types of recommendations.

62. He welcomed recommendation 3, which sought to spread good practices throughout the United Nations system. Recommendation 4 sought to make JIU the chief analyst of internal oversight findings and recommendations, but since his delegation did not believe that there was a problem, it felt that there was no need for an annual compendium. He fully supported recommendation 5 on networking, and hoped that such networking would extend beyond the United Nations system to include international professional associations. Recommendation 6 was intended to achieve an important goal, but was formulated in terms that were too vague to be implemented. He would welcome clarification of the types of activities envisaged.

63. **Mr. Sulaiman** (Syrian Arab Republic) asked the Secretariat to correct the translation of the word "oversight" into Arabic, since the Arabic word used in the current translation meant "watching" rather than "oversight".

64. **Mr. Fox** (Joint Inspection Unit) said that the comments of ACC were technically not yet overdue. He understood that the Committee would revert to the JIU report once those comments were received. With respect to the concern expressed about the reference, in recommendation 4, to consolidated annual summary reports on internal oversight activities, the idea was to combine the reports submitted by the various organizations with a view to identifying both problems and good practices. The result would not be a voluminous document, since JIU would sift through the reports and pick out a few themes that could usefully be considered throughout the system. That would not represent duplication of oversight reporting. The intention was not to make JIU the chief analyst of internal oversight mechanisms, as the United States representative had suggested, but to enable it to review the reports of the various mechanisms without evaluating or critiquing the mechanisms themselves. The vagueness of recommendation 6 reflected the Unit's assumption that the development of dialogue would be an evolutionary process; at the current stage, it was impossible to define precisely the means by which that goal should be met.

Agenda item 111: Financial reports and audited financial statements, and reports of the Board of Auditors (*continued*) (A/52/5 (vol. II), A/52/811, A/52/867 and A/52/879; A/53/5 (vols. I, III and IV) and Add.1–10, A/53/217, A/53/335 and Add.1, A/53/508 and A/53/513)

65. **Mr. Repasch** (United States of America) said that the Board of Auditors played a critical role as an external oversight body. He welcomed the improved readability of its reports and hoped that other United Nations bodies, including the Advisory Committee, would follow that example. However, he was disappointed that many of its past recommendations had fallen on deaf ears. He wondered whether United Nations agencies would ever comply fully with United Nations regulations and procedures and provide sufficient documentation on their financial operations, and whether more agencies would link their consultants' payments to evaluation of their performance.

66. On the subject of the Board's general findings, he was concerned that the Board had once again issued qualified opinions on the financial statements of the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and the United Nations International Drug Control Programme (UNDCP). Those organizations had done little to implement viable solutions to the problems identified two years earlier. The Advisory Committee had recommended that the Administrator of

UNDP should report to the Executive Board on the results of the measures taken to implement previous recommendations and that the report should be submitted to the Fifth Committee in conjunction with the budget estimates of UNDP for the biennium 2000–2001 (A/53/513, para. 51). Such measures were necessary in order to ensure compliance with the Board's recommendations and should be taken whenever an agency failed to comply with United Nations accounting standards. He agreed with the Advisory Committee that the inconsistent application of those standards required "urgent review" (A/53/513, para. 18).

67. The Board's reports revealed problems in ensuring that the engagement of implementing partners and consultants was in full compliance with established rules and procedures. In some cases, the rates paid to consultants had not been determined in accordance with the competitive bidding process or had not been linked to the nature of outputs or to the time-frame of their delivery. That practice impaired the Organization's ability to carry out its activities as efficiently and effectively as possible. Since programme managers were ultimately accountable for ensuring that consultants provided the necessary services and that mandates were fulfilled, he supported the Board's recommendations in that regard.

68. One encouraging example was the case of procurement at the Geneva and Vienna offices. He welcomed those offices' use of volume purchase agreements to speed up delivery and reduce costs (A/53/5 (vol. I), chap. II, para. 156), and hoped that the practice would spread throughout the Organization. The findings in the Board's report reinforced his delegation's previous proposal that performance measures should be introduced for the evaluation of the engagement of consultants and the procurement process in general. While he recognized the difficulty of setting up an effective system for evaluating the performance of consultants and contractors, he hoped that greater efforts towards that goal would be made in future. It was disturbing to note, for example, that a random sample of 57 special service agreements at the headquarters of the United Nations Children's Fund (UNICEF) had shown 23 cases in which payments had been made without the required evaluation reports (A/53/5/Add.2, chap. II, para. 78). He wondered what steps the Secretariat had taken to implement a system-wide programme.

69. He was deeply concerned about the Secretariat's relaxed approach to the year 2000 computer problem. Holding a meeting in May 1999 to assess the situation would be doing too little, too late, to resolve the problem. He firmly supported the Canadian representative's statement on the subject and urged the managers responsible to take prompt action to assess and mitigate risks.

70. The audit deficiencies at the Office of the United Nations High Commissioner for Refugees (UNHCR) were serious and must be addressed on an urgent basis. While UNHCR had already produced an implementation plan pursuant to the audit findings, his delegation would like further information on how it intended to resolve its differences with the auditors regarding its method of reporting income. The current practice of conducting annual audits of UNHCR operations should continue.

71. The reports of the Board of Auditors indicated many cases of waste, mismanagement and breakdown of internal controls. The rehabilitation of the parking garage (A/53/5 (vol. I), chap. II, paras. 74–76) provided a disconcerting look at managers' disregard for established rules and procedures when hiring contractors and consultants. The Organization had contracted engineers on a sole-source basis without first establishing their fees, and had engaged a contractor who had shortly before pleaded guilty to unlawfully withholding money from his employees. Maintenance contracts should not be awarded on an exigency basis. He wished to know what action had been taken to guarantee that such transgressions would not be repeated.

72. The Board had found that in 1997 a branch office of UNHCR had purchased seven vehicles for a care and maintenance project, contrary to instructions that the vehicles should be rented (A/53/5/Add.5, chap. II, para. 77). No competitive bids had been obtained. Moreover, eight vehicles had already been made available for the project in question. He asked how such a massive breakdown of controls could have occurred, and what had been done to prevent recurrences.

73. The Board had also noted that the United Nations Operation in Mozambique (ONUMOZ) had made a double payment to a hotelier for rent, and had been unable to recover the full amount of the overpayment (A/52/5 (vol. II), chap. II, para. 27 (e)). The Field Administration and Logistics Division had subsequently proposed that the amount should be written off. That was an extraordinary practice; he agreed with the Board that chiefs of administration in field missions must ensure that internal control procedures for cash management were complied with, and that the Administration must establish responsibility for the double payment before proposing a write-off.

74. Greater emphasis must be placed on the implementation of the Board's recommendations. The Board

had done its part in the oversight process and it was now up to the Committee and the Secretariat to complete it.

75. Lastly, his delegation would like to see the incorporation into the Financial Regulations and Rules of the guidelines for internal control standards approved by the International Organization of Supreme Audit Institutions (A/52/867), and it was disappointed that the Advisory Committee had recommended against that step. The guidelines covered the most fundamental aspects of internal control, and their incorporation into the Financial Regulations and Rules would add an important statement of policy and best practices. Those control standards were used by virtually all national Governments, including those elected to the Board of Auditors. Failure to incorporate the guidelines would send a signal that the United Nations did not have to observe internationally recognized financial standards, even in the face of ample evidence that it was in dire need of such guiding principles.

76. **Mr. Gjesdal** (Norway) expressed strong support for the implementation of the recommendations of the Board of Auditors. The Board would be requesting additional resources in the next programme budget; since many of the requests for special reviews emanated from the Fifth Committee or the Advisory Committee, consideration might also be given to the establishment of priorities among those requests.

77. In order for Member States to assume their leading role in oversight, they must be able to devote sufficient time to the subject. The task would be simpler if the Board's reports reached the Committee well in advance of the start of the main part of the session. In the interests of coherent oversight, his delegation was pleased that the Board of Auditors had held a second tripartite meeting with the Office of Internal Oversight Services (OIOS) and the Joint Inspection Unit (JIU).

78. All assessed contributions for peacekeeping operations remained collectable unless the General Assembly decided otherwise; the failure of Member States to pay such contributions added to the Organization's cash crisis. Accordingly, he did not concur with the view of the Board that provision should be made in the financial statements for delays in the collection of assessed contributions.

79. He noted with serious concern that the Board had again qualified its opinion on the financial statements of the United Nations Development Programme (UNDP) owing to a lack of audit certificates for large expenditures on nationally executed projects. He agreed with the Advisory Committee that the Administrator of UNDP should report on measures taken to implement previous recommendations of ACABQ and the Board of Auditors with respect to audit reports by implementing agencies.

80. He concurred with the Board's recommendations on the United Nations Children's Fund (UNICEF). UNICEF must strengthen oversight of liquidation statements in respect of cash assistance to Governments. Before it proposed a change in its financial rules and regulations, it should consider the experience of other United Nations organizations.

81. His delegation was concerned that the Board had again qualified its opinion on the financial statements of the United Nations Population Fund (UNFPA) owing to a lack of audit certificates from Governments and non-governmental executing agencies. He looked forward to information on the new UNFPA strategy of shifting responsibility for audit certificates to field offices.

82. Since UNDP, UNICEF and UNFPA faced similar problems, he encouraged them to cooperate in meeting the challenge, especially by providing common assistance to Governments to help them to comply with the United Nations Financial Regulations and Rules.

83. With regard to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), he noted that three cases of fraud and presumptive fraud had been detected, and that one case involved a considerable loss to the Agency. He noted with satisfaction that steps had already been taken in most cases to follow up on the Board's recommendations.

84. He appreciated the efforts of UNHCR to implement the Board's previous recommendations. The Board's concerns regarding UNHCR budgeting and financial reporting could be addressed through the ongoing renovation of that office's budget structure. He also welcomed the steps taken to encourage implementing partners to provide audit certificates for funds advanced.

85. The increasing implementation of humanitarian assistance programmes through implementing partners — a development which his delegation supported — called for further reflection and action on common challenges and responses. He looked forward to being kept informed of the implementation of the Board's recommendations regarding implementing partners.

86. *Mr. Abelian (Armenia) resumed the Chair.*

87. **Mr. Christian** (Ghana) said that, with the exception of those relating to the International Trade Centre (ITC), UNDP and the United Nations Joint Staff Pension Fund (UNJSPF), the Board's previous recommendations had not

been fully implemented. The defaulting organizations should comply fully with those recommendations.

88. The Board had issued a qualified opinion on UNDP, UNFPA and the United Nations International Drug Control Programme (UNDCP) because of the lack of confirmation that funds advanced to Governments and non-governmental organizations had been expended for the purposes intended. He requested those organizations to make additional efforts to increase the percentage of projects covered by audit reports. Further to the Advisory Committee's comment that the extent of compliance with United Nations accounting standards differed (A/53/513, para. 17), he endorsed its view that the standards should be urgently reviewed.

89. The Board had indicated that the liquidation of several peacekeeping operations had been delayed. He agreed that missions should be liquidated as quickly as possible in order to minimize costs. The Department of Peacekeeping Operations should take that consideration into account and closely monitor the completion of outstanding tasks in all missions in liquidation.

90. The Board's review of contracts for cleaning and maintenance at Headquarters had revealed a number of deficiencies; its recommendations to address those shortcomings should be strictly adhered to. All major maintenance should be planned far enough in advance to avoid exigency contracts; competitive bids should be obtained and adequate time allowed for approval.

91. He supported the recommendation that United Nations administrators should comply with the revised Procurement Manual and obtain economies of scale wherever possible. UNRWA should implement the Board's recommendation on its contract procedure, update its vendor register and closely supervise its contracts to ensure that required standards were met.

92. The Board had made several useful recommendations on programme delivery, which could improve programme management. It had also pointed out that in many cases consultants had been appointed to handle work that should have been assigned to regular staff. Moreover, the basis for the selection of consultants and the calculation of their remuneration had not been put on record; those practices were improper. The Administration should ensure full compliance with the established instructions on the engagement of consultants.

93. His delegation was concerned that less than 20 per cent of the amounts lost to fraud or presumptive fraud over the reporting period had been recovered. Fraud could be minimized by strict observance of accounting rules and the strengthening of internal control. Procedures for the recovery of embezzled funds should be reviewed to ensure that organizations could act decisively.

94. Full implementation of the Board's recommendations in a timely manner was one of the most effective ways to ensure probity and accountability in the organization.

95. **Mr. Lozinski** (Russian Federation) said that his delegation appreciated the improved quality of the information presented by the Board of Auditors and the progress made in implementing its recommendations, but it also agreed with the Advisory Committee that the deadlines for the issuance of the Board's reports in all official languages must be strictly observed (A/53/513, para. 12). It supported the Board's main recommendations, as contained in chapter II, paragraph 11, of its report (A/53/5, vol. I), particularly with regard to the need to integrate all accounting systems with the Integrated Management Information System (IMIS). Like other delegations, it was concerned about the timely solution of the year 2000 computer problem, and suggested that the Board should keep the issue under constant review. While it supported the Board's recommendations in the area of human resources management, especially with regard to the hiring of consultants, it cautioned against hasty conclusions in the area of career development, at least until the General Assembly had taken a decision in that regard. His delegation believed that the time had come to settle the question of ex gratia payments and shared the view expressed by the Advisory Committee in paragraph 20 of its report (A/53/513).

96. He was concerned about the incidence of fraud in the United Nations, since it not only led to direct financial losses, but also irreparably damaged the Organization's prestige. Decisive action must be taken against fraud and against its perpetrators.

97. With respect to peacekeeping, he had noted the information in paragraph 36 of the Advisory Committee's report (A/53/513) regarding the volume of peacekeeping expenditure over the preceding period, as well as the Secretary-General's efforts to deal with the cash-flow shortage for peacekeeping operations, which had burdened the Organization with intolerably heavy debts to contributors of troops and equipment. That situation must be speedily corrected.

98. He appreciated the contribution of the Board of Auditors to the strengthening of procurement reform throughout the Organization. He was pleased that the measures recommended by the oversight bodies had yielded results, particularly in terms of increased transparency,

competitiveness and fairness. The Advisory Committee's suggestion concerning the evaluation of measures taken in the context of the reform process (A/53/513, para. 24) was welcome. In addition, in paragraphs 46, 49 and 59 of its report (A/52/5 (vol. II), chap. II) the Board of Auditors put forward sound recommendations on procurement. Like the Advisory Committee, he was seriously concerned about the irregularities found in the contracts for garage rehabilitation and building cleaning and maintenance (A/53/5 (vol. I), chap. II, paras. 74 to 82), particularly in view of the large amounts of money involved.

99. With respect to the management review of the International Civil Service Commission (ICSC) secretariat (A/52/811), he reaffirmed his delegation's position that a universally recognized expert body such as the Board of Auditors should act in closer conformity with the mandates it received from Member States. Lastly, he hoped that recent progress in strengthening coordination and cooperation among all the oversight bodies, both internal and external, would be followed up.

100. **Ms. Niu Hongbo** (China) said that her delegation had not had enough time to study the voluminous reports of the Board of Auditors owing to their late issuance. The reports should be issued before the start of the regular session.

101. The Board had listed many project management deficiencies. To evaluate project management, attention must be paid to the quality of delivery, and cost-effectiveness must be evaluated by measuring output against input. Auditing played a very important role in that process and the various organizations should respond promptly and positively to the Board's recommendations.

102. Procurement should be conducted in an equitable and fair manner, taking into account cost-effectiveness and geographical distribution. Further efforts should be made to increase procurement from developing countries.

103. She noted with great concern the serious management deficiencies in connection with the contracts for the rehabilitation of the garage, for cleaning and maintenance services and for electrical equipment. All major maintenance works should be planned far enough in advance to avoid exigency contracts and allow adequate time for competitive bids and approval.

104. The rate of implementation of the Board's recommendations gave cause for concern. In future reports the Board should indicate what percentage of its previous recommendations had been implemented and provide reasons for non-implementation, where appropriate. She agreed with the Advisory Committee that there should be an effective mechanism for ensuring full implementation of recommendations.

105. **Mr. Yamagiwa** (Japan) said that the Board played a key role in oversight, a role which would be even more significant if the United Nations were to take steps towards a more decentralized system of authority and responsibility. The Organization had a long way to go before it could delegate financial and personnel authority to programme managers without undue concern. A culture of full compliance with rules and regulations was an essential prerequisite to the delegation of authority.

106. The Board's recommendations must be fully implemented; incomplete or slow implementation of previous recommendations was a matter of grave concern.

107. Serious and persistent irregularities had been identified in procurement. He concurred with the Advisory Committee on the seriousness of the problems relating to contracts for cleaning and maintenance. The fact that all direct purchases by the United Nations Joint Staff Pension Fund had been made through the miscellaneous obligating document procedure (A/53/217, para. 21) was another significant irregularity. All staff members must fully comply with the provisions of the Procurement Manual.

108. The failure by UNDP to obtain audit certificates for the expenditure of $520 million on nationally executed programmes was serious and the Administrator of UNDP should report on the measures he had taken in that regard. The Board had also detected unusual inadequacies in the information systems of UNDP, raising questions about the merits of the project.

109. Lastly, he agreed with the Advisory Committee that the Secretary-General should consider the feasibility of closing the accounts under the regular budget and the peacekeeping budget sooner after the end of their respective financial periods so as to ensure that the Board's reports were ready by the start of the regular session. That would facilitate the work of both ACABQ and the Fifth Committee.

110. **Mr. Park Hae-yun** (Republic of Korea) said that his delegation supported the Board's request for additional resources, and was concerned at the recurring pattern of late submission of the Board's reports.

111. The role of the Board had become ever more important, since effective audit improved delivery and enhanced efficiency and cost-effectiveness. He welcomed the strengthening of coordination between external and internal oversight mechanisms.

112. His delegation attached high priority to procurement reform, and was concerned at the continuing evidence of

improprieties in procurement contracts, despite earlier audit findings. In particular, he noted with concern the poor contract management, improper use of vendors and suppliers, abuse of procurement on an exigency basis, lack of verification of contract completion before the disbursement of funds, and non-compliance with standard procedures, rules and regulations at Headquarters and elsewhere. He trusted that the reform measures recently instituted would strengthen the transparency, competitiveness and fairness of the procurement system, and looked forward to the Board's upcoming horizontal audit of procurement.

113. His delegation did not concur with the Board's recommendation that provision should be made in the financial statements of peacekeeping operations for the non-collectability of assessed contributions. He agreed with ACABQ that assessed contributions were collectable until the General Assembly decided otherwise, and was dismayed by the continuing doubt about the collectability of $116.1 million of assessed contributions which Member States had declared their intention not to pay. It was the obligation of Member States to pay assessed contributions.

114. He also noted with concern the discrepancies in the application of accounting standards, and agreed that several articles of the accounting standards required urgent review.

115. Noting that many previous recommendations of the Board had not been fully implemented, he stressed the need for speedy and effective implementation of recommendations. There must be an effective mechanism for ensuring implementation, including the identification of officials with responsibility for the implementation of specific recommendations.

The meeting rose at 1.10 p.m.